

TO: Member of Mayor's Infrastructure Finance Committee (MIFC)

FROM: Duane Acklie

DATE: June 24, 2003

I want to thank each of you for all you do for our city and state. I serve as Chairman of the Nebraska State Highway Commission and have served as a member of the Commission for 22 consecutive years representing Lincoln. I am also chairman of three companies that combined are probably the largest fuel tax payer in the state and if not the largest, the next largest. I appear here today at your invitation and not as your highway commissioner and not as a representative of business. I appear as an individual who has spent considerable time as a student of our statewide mechanism to finance state and local road maintenance and construction. I am also probably the only trucker in Nebraska who has advocated fuel tax increases.

The author or architect for our present road finance system was Senator Jerome Warner, now deceased. The basic mechanism to finance roads in Nebraska has existed largely unchanged for the 22 years I have served on the Highway Commission. I believe it exists and has not been changed because it works. Nebraska's system includes the state motor fuel taxes, motor vehicle registration fees and 5% of the state sales tax receipts on motor vehicles sales, all of which are deposited to the Highway Trust fund. The Highway Trust Fund is allocated 23 1/3% respectively to the cities and counties. Additionally, the counties and the cities share equally 2¢ per gallon of the fixed state motor fuel taxes.

You will decide whether to propose to the Lincoln City Council to use occupation tax authority. The proposal is creative and lawful. The City of Omaha previously proposed such, but I am informed they did not go forward after conferring with Senator Jerome Warner. Jerry Warner's concern was and my concern is that if municipalities elect to use this source of revenue that legislators may be more willing to take highway trust funds for general fund purposes because they know local city government can generate substantial revenue from their occupation tax authority. I believe today that

not only is a possibility but possibly a reality. If not that, you may see legislators who view the use of occupation tax as improper and move to limit occupation taxes generally or probably reduce the cities' allocation from the Highway Trust in an amount equal to what they generate from the occupation tax. The worst case would be that, not wanting to share motor vehicle fuels as an independent local tax base, the Legislature acts to prevent local government from collecting their occupation tax and instead imposes the sales tax on motor vehicle fuel with cities and counties not sharing in it.

What could be a possible solution? I have not discussed this with others, but I personally believe we should over one or two years raise the fixed state motor vehicle tax 3¢ a gallon with 1¢ going to cities, 1¢ to counties (doubling the amount that goes to cities and counties) and 1¢ going to the state or some other allocation. I would certainly appear as an individual and support that proposal.

I have learned that in roads and streets there are needs and wants. The State of Nebraska Department of Roads has identified \$7 billion of needs. Those funds are simply not available. The only solution is to carefully prioritize its most critical needs. This is true today with every governmental or business entity.

Even if the present Lincoln City Council should use occupation tax authority on gas, it is my understanding it would go into the City General Fund and there is no guarantee that would bind future City Councils to use the tax for streets.

Governor Johanns has announced the formation of the Transportation Task Force for Nebraska's Future, co-chaired by Kathy Campbell. It will meet in Lincoln on September 24, 2003 at the Lincoln City Council Chambers at 7:00 p.m. It may be an appropriate time for someone representing the City or the Infrastructure Committee to appear and indicate it has been over 15 years since the cities and counties have received an increase in their portion of the state road funds other than from increased sales volume.

Your Committee has a decision to make that has several possible implications. I know you will weigh them carefully. I thank you for the opportunity to appear before you.